

# OVERVIEW OF KEY REGULATORY ISSUES

Presentation to

Chris Moore and Wayne Leighton

Office of Commissioner Deborah Taylor Tate

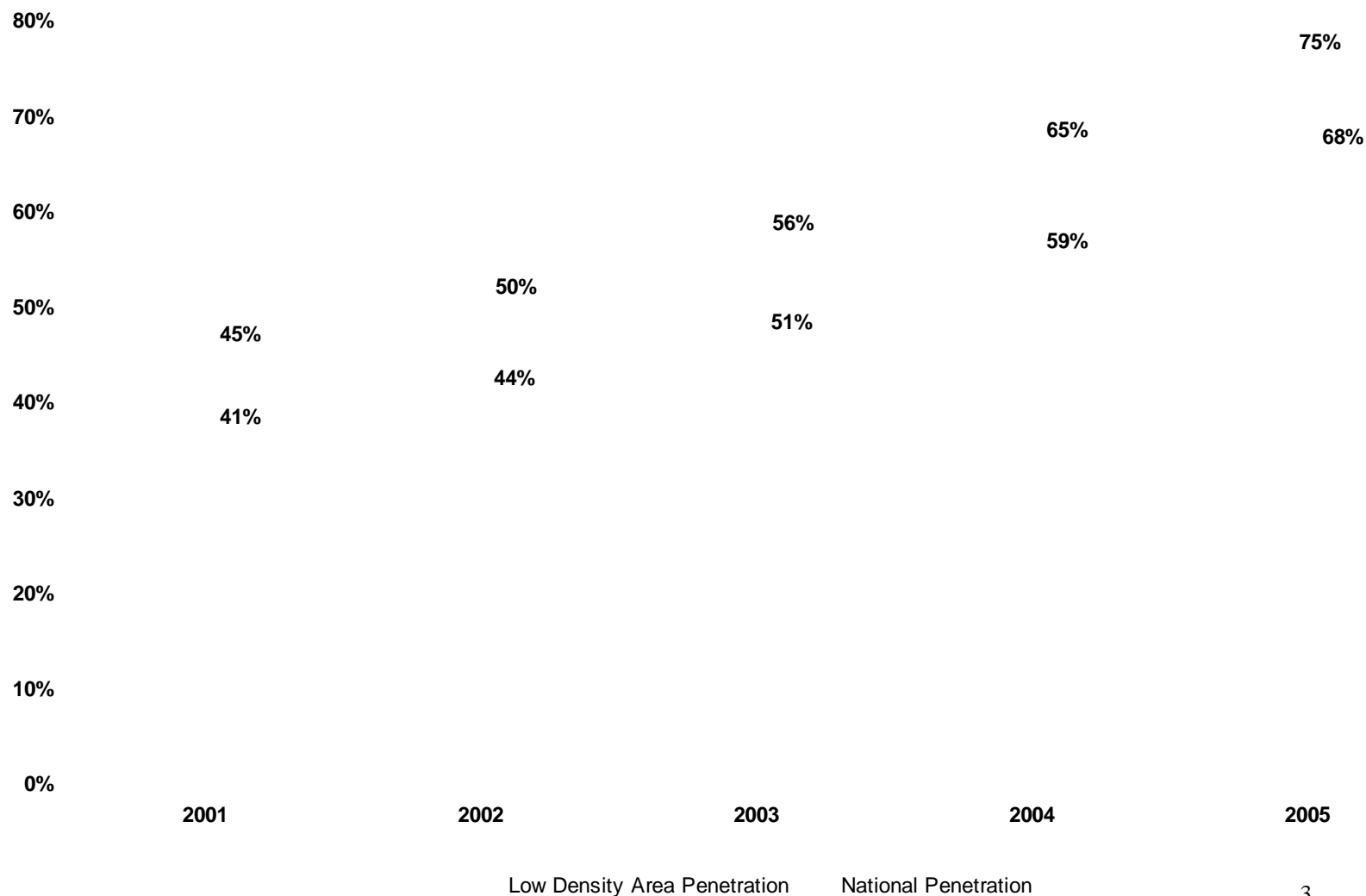
CTIA – The Wireless Association®

August 8, 2007

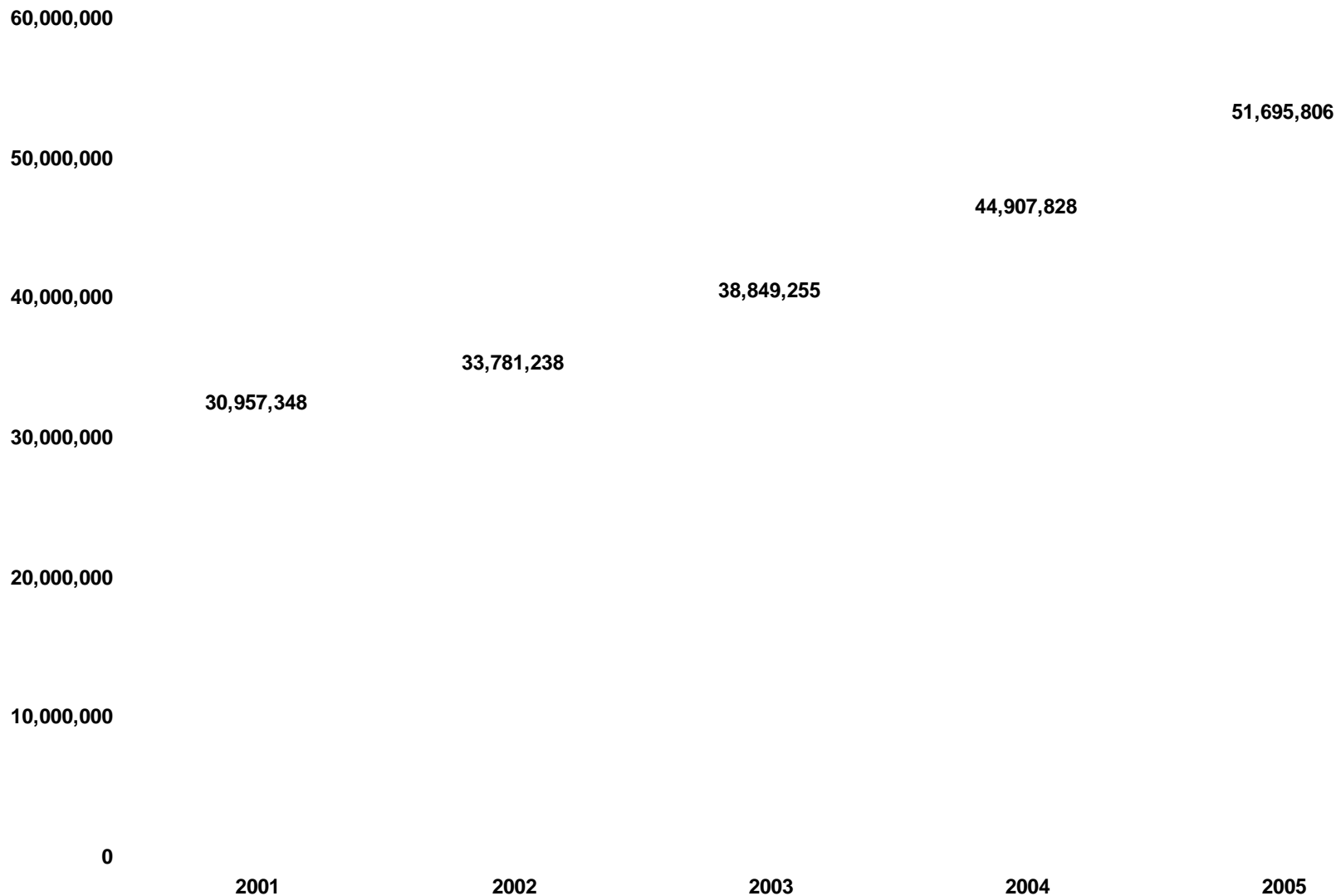
# THE U.S. WIRELESS INDUSTRY

- There are now more than an estimated 241 million wireless subscribers nationwide.
- The FCC has found that 98% of Americans live in counties in which three or more wireless service providers offer services.
- Wireless minutes of use reached 1.8 trillion for 2006.
- The average wireless customer has approximately 834 minutes of use per month.

# Rural and National Wireless Penetration: Rural Equated with Fewer than 100 Pops per Square Mile

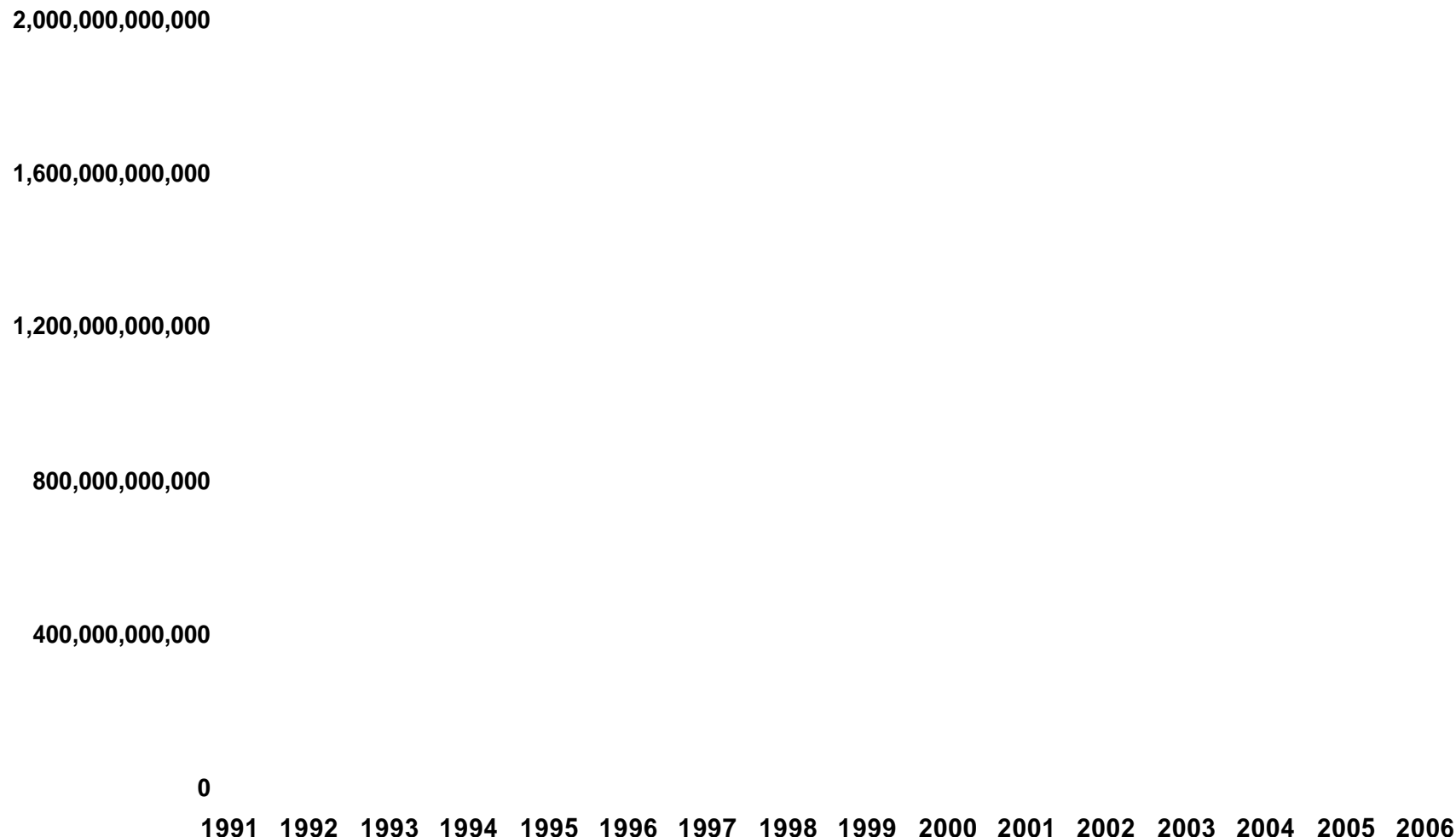


# Total Estimated Rural Wireless Subscribership



Low Density Area Wireless Subscribership

# Wireless Minutes of Use Have Consistently Climbed in Double-Digits Year-over-Year



# The Growth of Wireless-only Households

- National Center for Health Statistics has been tracking the growth of wireless-only households over the past three years – including year-to-year trends, and the different distribution of such households across the country. As of December 2006:
  - About 12.8% of households do not have a traditional landline telephone, but do have at least one wireless telephone. About 11.8% of all adults (26 million) and 11.6% of all children (8.5 million) live in households with only wireless telephones.
  - Adults living in poverty are more likely than higher income individuals to be living in households with only wireless telephones (22.4%).

# The Growth of Intermodal Competition

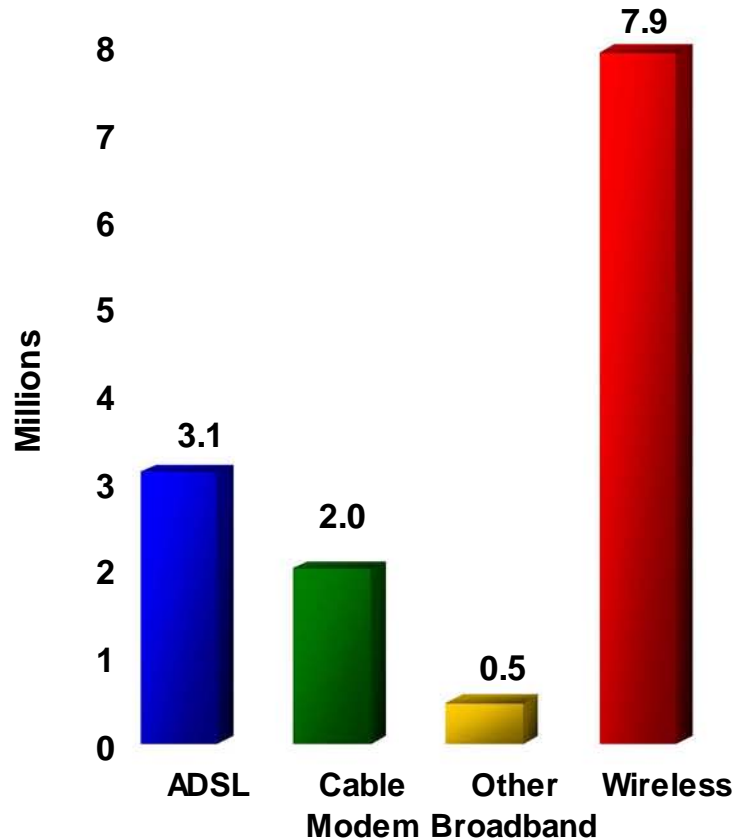
- If forced to choose, a majority of consumers would keep their wireless phone service instead of their landline phone service. This survey would not include the approximately 10.5% of households that have already chosen to be wireless only.
  - Question: "If you could keep one service, would you keep your cell phone service or your home landline phone service?"

Source: MyWireless.org® National Consumer Survey (conducted March 6-8, 2007).

# High-Speed Line Growth

- In 1H06, total high-speed lines grew 26%, from 51.2 million to 64.6 million lines, and 59% of all adds were mobile wireless subscriptions.
- From June 2005 to June 2006:
  - ADSL's share of total broadband lines fell from 38% to 35%,
  - Cable modem's share fell from 56% to 44%.
  - Mobile wireless' share of total broadband lines rose from 1% to 17% of total broadband lines.
  - The share of "other" forms of broadband (including fixed wireless, satellite, fiber, and broadband over power line) remained at 4% of total broadband lines – although their total line count grew 39%.

**High Speed Net Adds by Type, Dec. 2005 – June 2006**



Sources: FCC Report on "High-Speed Services for Internet Access," Jan. 2007.



# KEY REGULATORY ISSUES

- National Regulatory Framework
- Spectrum
- Universal Service
- Intercarrier Compensation

# NATIONAL REGULATORY FRAMEWORK

- The CMRS industry, a competitive industry which operates without regard to jurisdictional boundaries, is facing an environment that will negatively impact consumers – differing regulation in each state.
- The FCC should declare that wireless carrier early termination fees are “rates” subject to exclusive federal jurisdiction under section 332(c)(3) of the Act.
- If necessary to address market failure, the FCC should adopt federal truth-in-billing regulations modeled on the CTIA Consumer Code for wireless.
- States would still have the ability to enforce state consumer protection statutes of general applicability (e.g., fraud statutes).

# SPECTRUM ISSUES

- 700 MHz Auction
  - CTIA stresses the importance of the 700 MHz spectrum being auctioned on schedule and will work with the FCC to ensure this occurs.
    - Prospective bidders need certainty as to the timing of the auction and the regulatory environment for 700 MHz.
  - CTIA anxiously awaits the release of the 700 MHz Second Report and Order.
    - CTIA members will use the final rules for the auction to secure financing and determine whether to participate in the auction.

# SPECTRUM ISSUES (cont'd)

- Skype Petition
  - CTIA opposes the attempt by Skype (and others) to impose open access obligations for handsets and applications and to prohibit the practice of CPE bundling.
  - The wireless marketplace is vibrantly competitive.
  - Carriers maintain the high quality of service that consumers expect by managing how applications use finite, shared-spectrum resources.
- Base Station Radiated Power Limits
  - Now that the FCC has adopted a power spectral density limit for 700 MHz, CTIA urges the grant of similar CTIA-proposed modifications to Part 24 PCS and Part 27 AWS base station radiated power limits.
- Advanced Wireless Services
  - CTIA is working with incumbents and new licensees to address relocation issues.
  - CTIA supports the FCC's decisions to allocate additional spectrum to AWS, but opposes proposals to assign the spectrum outside the auctions process (M2Z).
- Wireless Repeaters
  - To address harmful interference, CTIA has asked the FCC to clarify that wireless repeaters may only operate under the authority and control of licensees.

# UNIVERSAL SERVICE

- Consumers are the only intended beneficiaries of universal service.
- Current Reality:
  - The Allocation of Federal Universal Service Funding Does Not Reflect Consumer Demand and Does Not Adequately Promote Efficient Investment in Broadband and Mobile Services
  - The Federal Universal Service Mechanisms Give Too Much to Some and Too Little to Others
- Comprehensive universal service reform is needed now. CTIA supports market-driven, competitively-neutral reforms to the high-cost mechanisms: model-based support and/or reverse auctions.
- The Federal-State Joint Board on Universal Service proposal to cap high-cost universal service support to competitive eligible telecommunications carriers (“ETCs”) hurts consumers by artificially limiting support for the wireless industry as it struggles to respond to exploding demand for ubiquitous mobile wireless and broadband services in rural and high-cost areas.
- CTIA supports adoption of a numbers- and capacity-based universal service contribution mechanism that addresses low-income and low ARPU consumers.

# INTERCONNECTION

- Intercarrier compensation is a significant cost for the wireless industry that impacts its ability to serve customers on an even footing with wireline carriers – particularly in rural areas.
- The FCC should seize the opportunity presented by the Intercarrier Compensation Reform Proceeding and adopt lasting reforms that accommodate a highly-competitive, multidimensional telecommunications marketplace.
- Intercarrier compensation reform should be guided by certain key principles relating to consumer choice, efficiency, the elimination of regulatory distinctions, and administrative simplicity.
- CTIA's Mutually Efficient Traffic Exchange ("METE") Proposal would achieve each of the FCC's stated goals for reform. The Missoula Plan would not.